**NAPA COUNTY**

**PROPOSED BUDGET POLICIES**

**FISCAL YEAR 2014-15**

1. **Bottom Line Emphasis – General Fund Departments – No Increase in Net County Cost:** Budgets for departments receiving General Fund support should be prepared with a goal that Net County Cost or General Fund Contribution will not exceed the FY2013-14 level. Wherever possible, reductions in Net County Cost should be sought. Exceptions to the no-Net County Cost–increase goal will be considered on a case-by-case basis, taking into account the following: (1) is the cost increase or revenue decrease beyond the control of the department; (2) is the revenue decrease not related to a reduction in categorical funding from the State or Federal governments; (3) has the department made a serious effort to absorb the cost increase/revenue decrease; (4) would further expenditure reductions reduce services for a priority program identified in the County’s Strategic Financial Plan to an unacceptable level.
2. **Bottom Line Emphasis – Non-General Fund Departments or Programs:** With two exceptions, budgets for these departments or programs should be prepared with no increase in Net County Cost or General Fund Contribution above the FY 2013-14 level. Wherever possible, reductions in General Fund Contribution or Net County Cost should be sought. The two exceptions are: (1) Increase the General Fund Contribution to the Roads Fund by $560,000, for a total Contribution of $2,052,000; and (2) increase the General Fund Contribution to the Health & Human Services Fund to cover OMB A-87 increases.
3. **Pursuit of New Revenues:** Pursue new revenues to the fullest extent possible for all services, as well as total cost identification (including departmental overhead and indirect costs) for fee setting purposes. To the extent possible, any new revenues for programs receiving General Fund support should be used to offset the cost of existing staff and programs, rather than funding new staff or programs.
4. **Maximize the Board’s Discretion:** Except where the Board has previously made a decision to earmark revenues for a particular purpose, wherever legally possible, revenues are to be treated as discretionary resources, rather than as dedicated to a particular program or service. To the extent allowed by law, transfer funding responsibility for existing programs or activities to appropriate dedicated funding sources. The goal is to give the Board as much flexibility as possible in allocating resources to local priorities.
5. **New or Enhanced Discretionary Programs:** Departments should not propose new or enhanced programs unless those programs are fully funded (including overhead costs) by a grant or other dedicated revenue source in FY 2014-15 and future years, are related to planning and implementing Public Safety Realignment or the Major Capital Improvements Program, or involve the reallocation of resources from a lower priority program to a higher priority program in accordance with the following criteria:

* Will the investment target: (a) accountability and regulatory compliance issues; or (b) critical public health and safety needs?
* Is the request justified in terms of workload, service demand (include an analysis of the service level impact) and the efficient use of other resources in the relevant department?
* Is the investment needed to address a significant County liability?
* How critical is the need used to justify the request?

**Departments should submit requests for new or enhanced discretionary-funded programs to the County Executive Office separately from the requested budget and early in the budget process and fully justify any request in terms of the need for the program and how it relates to Board priorities.** Departments submitting requests for new or enhanced discretionary-funded programs should identify lower priority programs in the Department that can be reduced or eliminated to generate discretionary resources to fund the new programs. New or enhanced discretionary funded programs will only be recommended/approved to the extent the annual General Fund Five Year Forecast identifies sufficient funding capacity.

6. **Vulnerability Analysis:** County Executive Office and relevant departments should prepare an analysis of the impact on the County of the elimination of State funding for those programs identified as likely most at risk for State or Federal funding reduction or elimination. This analysis should address the potential impact on service levels and should be provided to the Board at its Budget Study Session.

7. **County Share:** If funding is reduced, there should be no increased County share for programs funded primarily from non-General Fund sources unless increased County share is mandated or the Board of Supervisors has previously determined that this program is a high priority for use of limited General Fund dollars.

1. **Pursue Operational Efficiencies:** Eliminate, combine or reorganize programs or processes to reduce expenditures and/or respond to changing needs or priorities. Identify lower priority programs that can be reduced or eliminated to free up resources to fund higher priority programs. Carefully review and justify all expenditure line items to identify possible cost reductions.
2. **Vacant and New Positions:** All unfunded positions should be deleted from the County’s Department Allocation List. Generally, all funded positions that have been vacant for more than 6 months should be deleted unless recruitment challenges have impacted the length of the vacancy. Departments wishing to retain a funded position that has been vacant for more than 6 months should provide a separate request and justification to the County Executive Office. New positions will not be considered in the FY 2014-15 budget unless the positions are funded by secure, on-going, non-General Fund sources or there is a significant and compelling reason that the position is needed as discussed in Section 5 above.
3. **Vacancy Factor:** For departments or budget units with 20 or more allocated positions, Departments should submit a budget that includes a reduction in salary and benefit costs, to reflect a vacancy factor based on historic vacancy rates for that program adjusted to reflect current circumstances for that department or program.
4. **Grants:** As required by current Board policy, all grant requests are to be approved by the County Executive Office prior to submittal to the granting entity. In applying for grants for on-going programs (as opposed to planning or capital grants), Departments should consider how funding will be provided for the duration of the program. To the extent legally possible, all grant applications should be based on full costing, including overhead and indirect costs. Where matching funds are required for grant purposes, Departments should provide as much “in-kind” contribution as allowed, instead of hard-dollar matches. Unless long-term funding is secure, Departments should avoid adding staff to support new grant-supported programs. If it is necessary to add staff, limited term positions should be used.
5. **Fixed Assets:** Fixed asset requests will be considered for inclusion in the Recommended Budget only if funded by non-General Fund resources, if the Board has previously approved the project or expenditure, if the fixed asset is a replacement being made in accordance with an approved replacement schedule, if the fixed asset is required to accommodate additional staff or required space reconfiguration or if there is a compelling health and/or safety need.
6. **General Fund Contingency:** Place a minimum of 3% of the General Fund appropriations into Contingency to be used during the fiscal year to address unanticipated expenditure increases or revenue decreases. In those cases where a Department is faced with an unanticipated cost during the fiscal year, every effort should be made to use departmental resources prior to a transfer from the General Fund Contingency. After conducting a financial review of departments’ budgets toward the end of the fiscal year, a transfer from Contingency may be made to cover unanticipated costs that could not be absorbed through the year.
7. **General Reserves:** Transfer funds to and from the General Fund Reserves toward a goal of having General Fund Reserves equivalent to approximately 10% of General Fund and Health & Human Services Fund appropriations (not including the appropriation for contingency, any transfer to the Accumulated Capital Outlay Fund and the General Fund Contribution to the Health & Human Services Fund). General Reserves are to be maintained at this level at all times, except in the case of a dire fiscal emergency.
8. **Fund Balance Designations:** Establish Designations in the General Fund to cover the cost of specific anticipated expenditures where there is uncertainty concerning the exact timing and/or amount of the expenditures that will be needed in the fiscal year. If necessary to balance the General Fund budget, cancel designations in an amount not to exceed $2 million plus the amount of the General Fund Operating Contingency. After covering current year operating and capital costs and meeting General Fund Contingency and Reserve requirements, place any remaining discretionary resources in a designation for fiscal uncertainties until General Reserves and fiscal uncertainties designation together equal 20% of General Fund and Health & Human Services Fund appropriations (not including the appropriation for Contingency, any budgeted transfer to the Accumulated Capital Outlay Fund and the General Fund Contribution to the Health & Human Services Fund).

Similar to the General Fund, after covering current year operating and capital costs in the Health and Human Services Fund, place any remaining discretionary resources in a Health and Human Services designation for fiscal uncertainties until the designation equals 10% of the Health and Human Services Fund appropriations.

1. **Capital Reserves:** Once General Reserves and designation for fiscal uncertainties equal 20% of General Fund appropriations, transfer any remaining un-appropriated discretionary resources to the Accumulated Capital Outlay (ACO) Fund to be retained to assist in addressing unmet capital needs including a new jail, roads, and other infrastructure needs. Transfer monies from the ACO Fund as needed to cover the cost of Major Capital Improvement projects as approved by the Board of Supervisors.
2. **Special Projects Fund:** Fiscal conditions permitting, transfer General Fund resources to the Special Projects Fund in an amount equal to 12.5% of the prior calendar year’s actual Transient Occupancy Tax (TOT) revenue received by the County. In accordance with the Board’s Special Projects Fund policies, the primary focus of Special Projects Fund expenditures will be on programs or services related to parks and open space, visitor management and arts and culture.
3. **Other Post-Employment Benefits (OPEB):** Continue to fully fund the County’s OPEB liability on a 20 year amortization schedule by transferring funds to an irrevocable trust. Allocate OPEB costs to the relevant County departments based on a State –approved allocation formula.
4. **Pre-Payment of PERS Costs:** Financial conditions permitting, pre-pay the County’s annual Public Employee Retirement System (PERS) Miscellaneous employees pension costs.
5. **Defer Purchase of New/Replacement Vehicles:** With limited exceptions, departments should not include funding for the purchase of new or replacement vehicles in FY 2014-15. Exceptions will be made for safety or business reasons following a case by case analysis by Fleet Management.
6. **Performance Indicators:** Include quantitative performance measures in a separate document to be provided to the Board in January each year. Departments should identify at leasttwo programs, describe the purpose of the programs, and provide meaningful workload, efficiency, effectiveness and/or outcome measures for each program, as available and appropriate. Meaningful performance measures are measures that assist the Board and public in understanding whether the program is effective, useful and is being appropriately funded and provided at the appropriate service level. Depending on the performance measure, and to the extent possible, “benchmark” data from other “comparable” jurisdictions should be provided. The Performance Measure document should also include narrative information that describes the “story behind” the performance measures.
7. **Implementation of Fiscal Contingency Strategy:** Utilize the Fiscal Contingency Strategy in the Board’s approved Strategic Financial Plan to structure additional recommendations that may be needed to address exigent fiscal difficulties.